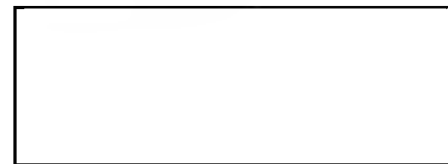


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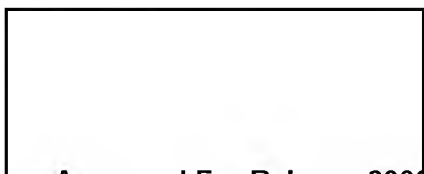
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CHILE: The distribution of government positions has
given the Communists important assets.

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CHILE: THE DISTRIBUTION OF GOVERNMENT POSITIONS HAS GIVEN THE COMMUNIST PARTY IMPORTANT ASSETS TO ACHIEVE DOMINANCE IN THE ALLENDE GOVERNMENT, ACCORDING TO THE US AMBASSADOR.

[REDACTED] THE AMBASSADOR POINTS OUT THAT THE COMMUNISTS' CONTROL OVER THE MINISTRIES OF FINANCE, ECONOMY, PUBLIC WORKS, AND LABOR GIVES THEM EXTENSIVE LEVERAGE IN SUCH FIELDS AS INTERNAL REVENUE AND PRICE CONTROL AND STRENGTHENS THEIR INFLUENCE IN KEY LABOR UNIONS. HE BELIEVES THAT THIS DEVELOPMENT IS A MAJOR THREAT TO CHILE AND TO LATIN AMERICA IN GENERAL.

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FORMER PRESIDENT FREI AND SOME OTHER CHILEANS HAVE FEW ILLUSIONS ABOUT THE DIFFICULTIES AHEAD. FREI PUTS THE ODDS OF MAINTAINING A DEMOCRATIC STRUCTURE AT ABOUT TEN TO ONE AND FEELS THAT EVEN THAT MAY BE OPTIMISTIC.

THE ARMED FORCES ARE CONCERNED BECAUSE THE POLICE FORCES AND SECURITY AFFAIRS HAVE BEEN PLACED IN THE HANDS OF THE EXTREME LEFTIST SOCIALISTS. THE AMBASSADOR BELIEVES THAT THIS CONCERN WILL ENCOURAGE THE MILITARY TO TRY TO MAINTAIN NORMAL RELATIONS WITH THE US, PARTICULARLY IN THE SUPPLY OF SPARE PARTS AND NEW EQUIPMENT. THE NEW COMMANDER OF THE AIR FORCE HAS ALREADY INDICATED THAT HE WANTS TO GO AHEAD WITH EARLIER PLANS TO PURCHASE THREE C-130S AND SOME F-5 JET FIGHTERS IN ORDER TO FORECLOSE THE POSSIBILITY OF OTHER SOURCES OF SUPPLY. FOR SIMILAR REASONS, THE ARMY AND NAVY MAY ALSO SPEED UP NEGOTIATIONS WITH THE US AND WEST EUROPEAN FIRMS TO SUPPLY APPROXIMATELY \$85 MILLION WORTH OF NEW EQUIPMENT ALREADY AUTHORIZED.

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